

Message Text

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64

ACTION EA-14

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O R 130205Z FEB 74

FM AMEMBASSY JAKARTA

TO USDOC WASHDC IMMEDIATE

SECSTATE WASHDC 806

INFO AMCONSUL HONG KONG

AMEMBASSY BANGKOK

AMEMBASSY SINGAPORE

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

AMEMBASSY TOKYO

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USDOC FOR MAJOR EXPORT PROJECTS DIVISION

DEPT FOR EA/IMS AND EA/EP A. GEBER

HONG KONG PASS RAND

EO 11652: N/A

TAGS: BEXP,BMED,ID

SUBJECT: MAJOR TRADE OPPORTUNITY (MTO); FERTILIZER

REFS: A) TELECON SANDS/ATKINS/CUNNINGHAM FEB 11 1974

B) STATE 018188

C) JAKARTA 1690

D) JAKARTA 0358

E) JAKARTA 0315

F) STATE 019930

1. TELECON (REF A) REVEALED THAT MEPD HAS CONTINUED PURSUE
INDONESIAN FERTILIZER OPPORTUNITIES ALONG LINES EMBASSY
CONCEPT OF CONSTRUCTORS/INVESTORS RATHER THAN WHAT APPEARED
TO EMBASSY TO BE CONSTRUCTORS ONLY. WE REGRET THERE MAY
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HAVE BEEN MISUNDERSTANDING ON THIS POINT ON OUR PART. WE

CONTINUE BE PREPARED WORK WITH INDIVIDUAL TEAMS OF CONSTRUCTORS/ INVESTORS SEPARATELY OR SIMULTANEOUSLY AND IN THAT REGARD CONFIRM POINTS REF A CONVERSATION FOR USE IN MEPD-INDUSTRY MEETING FEBRUARY 13 AS FOLLOWS: A) INDUSTRY REPS CANNOT EXPECT TO BE PRESENTED WITH WELL DEFINED PROJECTS ON WHICH THEY CAN SIMPLY BID. INSTEAD THEY MUST COME PREPARED TO SORT THROUGH THE VARIOUS OPPORTUNITIES, VARIOUS POTENTIAL INDONESIAN SPONSOR AGENCIES, TECHNICAL/LEGAL/ NATURAL RESOURCE DATA, AND ONGOING DEVELOPMENTS HERE TO FIND A VIABLE PROJECT FORMAT/STRUCTURE WHICH WILL AROUSE INDONESIANS' INTEREST. WITH THIS OUTLINE CONCEPT IN MIND THE U.S. REPS CAN BEGIN WORK ON SPECIFIC PROPOSALS WHICH COULD INCORPORATE DATA FROM THE TVA STUDY DUE LATE MARCH. B) BECAUSE OF THIS NEED TO FLUSH OUT A VIABLE FORMAT WITH THE INDONESIANS IT IS CRITICALLY IMPORTANT THAT U.S. CONSTRUCTORS AND INVESTOR/OPERATORS ALREADY BE MARRIED INTO INDIVIDUAL CLIENT RELATIONSHIPS WHEN THEY ARRIVE. SUCCESS DEPENDS ON THEIR ABILITY TO FUNCTION AS GOAL-DIRECTED INTEGRATED TEAMS PREPARED TO SORT STEP-BY-STEP THROUGH CONCRETE ALTERNATIVES WITH VARIOUS INDONESIAN AGENCIES. C) EMBASSY FIRMLY CONVINCED THAT ABOVE PROCESS WILL REQUIRE TEAMS SPEND MINIMUM ONE WEEK HERE AND MORE APPROPRIATELY TWO WEEKS. D) IF TEAM VISITS SCHEDULED SIMULTANEOUSLY, EMBASSY WOULD ENVISION INITIAL EMBASSY BRIEFING AND SORTING OUT OF TARGET OPPORTUNITIES AMONG SEVERAL TEAMS, FOLLOWED BY SMALL NUMBER SCHEDULED APPOINTMENTS WITH KEY OFFICIALS (PROBABLY AGUS SUJONO, WIJARSO, AND SUDARNO), WITH BALANCE OF TIME SPENT BY TEAMS SEPARATELY PURSUING OPPORTUNITIES AND CONTACTS MOST APPROPRIATE TO THEIR INTERESTS. E) EMBASSY STRONGLY BELIEVES INDUSTRY SHOULD RECONSIDER DECISION REF (B) NOT TO MAKE THIRD COUNTRY VISITS. GIVEN PROBABLE OUTCOME PHILIPPINE DEVELOPMENTS DESCRIBED BELOW WE BELIEVE ONE TEAM SHOULD TARGET ITSELF ON PHILIPPINE PROJECTS AND GO THERE BEFORE VISITING JAKARTA. WE ALSO THINK ONE OF TEAMS SHOULD AT SOME POINT INVESTIGATE THE TAIWAN SITUATION ABOUT WHICH WE HAVE LITTLE CURRENT INFORMATION BUT WHICH ONCE SEEMED VERY ATTRACTIVE CONSTRUCTION POSSIBILITY.

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2. AS MENTIONED REF (A), REPS OF PHILIPPINE FERTILIZER INDUSTRY AUTHORITY (FIA) AND PLANTERS PRODUCTS ARE DUE ARRIVE HERE FEB 16 TO LAY TECHNICAL GROUND WORK FOR VISIT AND NEGOTIATIONS BY PHILIPPINE SECRETARY OF AGRICULTURE AND NATURAL RESOURCES TANCO WITH PERTAMINA FEB 20-22 ON PROPOSED PHILIPPINE NITROGEN FERTILIZER PLANT INVESTMENT IN INDONESIA. THIS FACT COMBINED WITH PHILIPPINE PLANS FOR PHOS ACID PLANTS IN PHILIPPINES SHOULD PROVIDE U.S.

FIRMS OPPORTUNITIES FOR CONSTRUCTION PHOSPHATE AND NITROGEN PLANTS PLUS CHANCE SUPPLY U.S. PHOS ROCK TO PHILIPPINES. THUS FACT THAT FILIPINOS MAY WELL TAKE UP ONE OF INDONESIAN NITROGEN PROJECT OPTIONS LISTED BELOW SHOULD ONLY SHIFT SOME OF U.S. TARGETING TO PHILIPPINES, NOT REP NOT ELIMINATE THE OPPORTUNITY.

3. OUTLINED BELOW IS LATEST INFORMATION WE HAVE ON PROJECT OPTIONS WHICH HAVE ALREADY GAINED SOME MOMENTUM. A) TWO 300 TON/DAY P205 PHOS ACID PLANTS PLANNED FOR CONSTRUCTION IN THE PHILIPPINES--CONTACT F.I.A., B) AN IBRD STUDY WILL BE COMPLETED MARCH 15 FOR CONSTRUCTION OF A 1000 TON/DAY AMMONIA-1600 TON/DAY UREA PLANT AT CATIBARANG, INDONESIA. POSSIBILITY EXISTS THAT THIS PROJECT CAN BE TAKEN OVER BY PRIVATE GROUP INVESTORS FOR IMPLEMENTATION. C) MITSUBISHI HAS PROPOSED JOINT VENTURE WITH PETROKEMIA FOR CONSTRUCTION OF 200,000 TON/YEAR TSP PLANT WITH ASSOCIATED PHOS ACID IN EAST JAVA (SURABAYA), BUT MITSUBISHI BID PRICE IS \$38 MILLION, NEARLY DOUBLE ORIGINAL PROJECTIONS. INDONESIANS THEREFORE ARE SEARCHING FOR LOWER BIDDERS. D) PUSRI III: APPROVAL REQUESTED FOR EITHER A 660 TON AMMONIA-1000 TON UREA OF 1000 TON AMMONIA-1600 TON UREA PLANT TO BE BUILT AT PALAMBANG. THIS PROJECT DEPENDS ON PERTAMINA DECISION WHETHER TO ALLOCATE NECESSARY GAS RESERVES, A QUESTION WHICH MIGHT BE GREATLY INFLUENCED BY ETTRACTIVENESS OF CONCRETE PROPOSAL BY U.S. INDUSTRY FOR JOINT VENTURE WITH PUSRI. CONTACT PUSRI OFFICES IN HOUSTON, TEXAS. E) SUFFICIENT GAS RESERVES APPARENTLY ARE AVAILABLE IN E. KALIMANTAN FOR ONE ADDITIONAL 1000 TON AMMONIA-1600 TON UREA PLANT OVER AND ABOVE HIGHLY PUBLICIZED PERTAMINA E. KALIMANTAN FLOATING PLANT. PERTAMINA LOGICAL PARTNER. CONTACT PERTAMINA OFFICES WASHINGTON, D.C.

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4. EMBASSY BELIEVES THAT SERIOUSLY INTERESTED INDUSTRY REPS SHOULD MAKE USE OF ABOVE INFORMATION PLUS MATERIAL PREVIOUSLY SUPPLIED TO BEGIN INVESTIGATING VARIOUS OPTIONS AS THOROUGHLY AS POSSIBLE BEFORE ARRIVAL. WE ALSO WISH REITERATE THAT AGUS SUJONO HAS STATED THAT INFORMATION ON PROVEN GAS RESERVES WILL NOT BE AVAILABLE TO HIM FROM PERTAMINA UNTIL ABOUT JUNE. WE THEREFORE DO NOT KNOW HOW FORTHCOMING SUDARNO OF PERTAMINA WILL BE ON GAS AVAILABILITY DURING U.S. INDUSTRY VISIT, EVEN THOUGH PERTAMINA ACKNOWLEDGES THAT THEY HAVE OR EXPECT HAVE ADEQUATE GAS SUPPLIES. WE DO KNOW THAT PERTAMINA NEVER HAS SURPLUS GAS RESERVES BECAUSE PROJECT PROPOSALS ARE ALWAYS PREPARED IN ADVANCE FOR RESERVES WHICH COME AVAILABLE CONSTANTLY. THEREFORE, U.S. INTERESTS

MUST BE WILLING DEVELOPPROJECT PROPOSAL NOW, OR OTHER
INTERESTS WILL DO SO AND BEAT THEM OUT.
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